

Research Markets Outlook

2 December 2024

More GDP Partial Arrive

- **Construction activity continues to shrink**
- **Net exports negative**
- **GDP likely negative again**
- **Dairy provides some relief**
- **Inflation not dead and buried**

December brings an aggravating amount of key data at a time when folk would prefer to be planning their festive activities rather than trawling through the details of the latest news releases.

The month gets off to a quiet start but the punchy indicators come thick and fast as Christmas approaches. For us the key data that we will be glued to are:

- Friday 13 Performance of Manufacturing Index
- Monday 16 Performance of Services Index and Selected Price Indices
- Tuesday 17 Half Year Economic and Financial Update
- Wednesday 18 Q3 Balance of Payments
- Thursday 19 Q3 GDP and the ANZ Business Opinion Survey.

In short, we expect these indicators to reaffirm that New Zealand's recession has extended through the September quarter of this year and, most likely, through the December quarter as well.

Consequently, the Government's accounts are under pressure. The starting point for Treasury's forecasts will be weaker and so the deficit projections will be greater than previously published culminating in an acceptance that the surplus forecast for the year ended June 2028 is no longer tenable.

Meanwhile, the trend improvement in the external accounts seems to be stalling despite the sterling performance from our dairy sector and our reduced demand for imports.

But this is all the here and now, and the good news is that confidence indicators are rising as evidenced by last week's ANZ Business and Consumer Confidence Surveys. We would expect more of the same from the ANZ Survey to keep us hopeful that 2025 will be a better year.

That said, we will be keeping a very close eye on pricing expectations and the selected price indices as inflationary pressures are still bubbling away in some sectors

threatening to, at some stage, stall the rate cuts we have become so enamoured with.

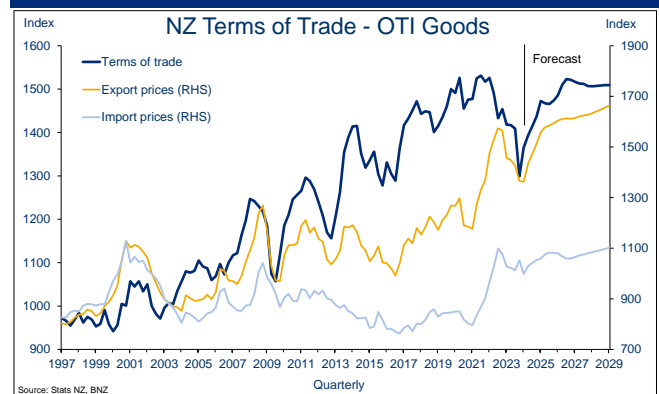
We'll preview all the above in detail closer to the release dates. More immediately, we'll focus on the few partial indicators that become available to us over the course of this week.

Probably the most interesting release will be the Q3 International Trade data on Tuesday. We get both price and volume measures for trade.

We are expecting the terms of trade to rise a further 1.5% for the quarter. Both import and export prices are rising but exports are ahead thanks largely to the current stellar performance of the dairy sector.

By our estimates, the terms of trade will be 8.9% higher than its December 2023 low point. This growth is a major support to the New Zealand economy at a time when not much else is doing well.

Terms of trade on the mend

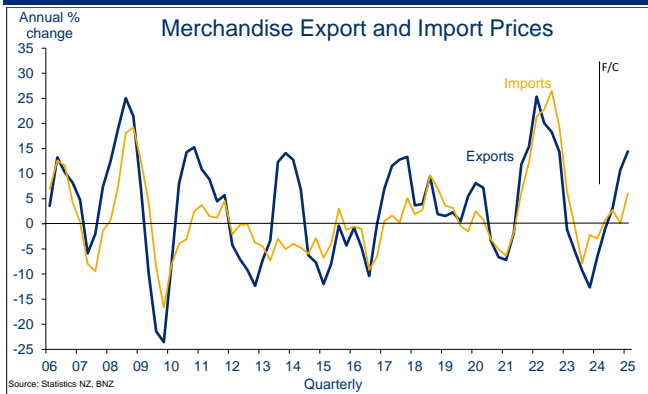


There is a sting in the tail of this, however. Falling trade prices have been a major driver of lower CPI inflation via the tradables sector. This is now all reversing. In December 2023 the annual drop in export prices was 12.7%. We estimate that by March 2025 export price inflation will be over 14.0%.

Import price inflation probably has a bigger impact on domestic inflation and that is likely to go from a low of -7.8% last year to 6.1% early next. Back of the envelope, this means annual CPI inflation could be 1.4% higher than would otherwise be the case demanding that other

deflationary pressures, such as falling wage inflation, do the hard yards.

Inflation returns?



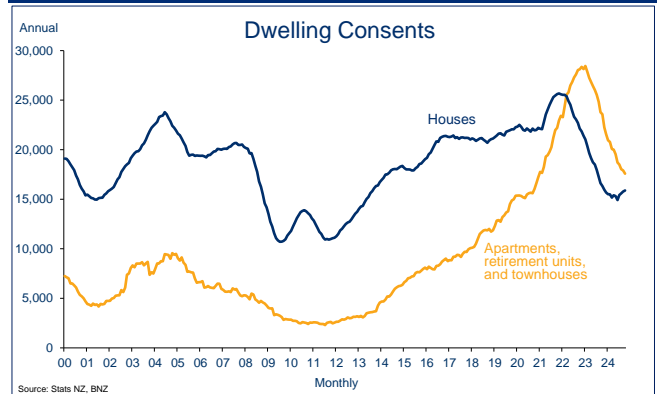
We will be looking at the volume indicators to help us assess our Q3 GDP estimate which currently sits at -0.4% for the quarter. Our external trade assumptions behind this are that import volumes rise 1.0% for the quarter and exports decline -0.1%.

If you take away the services component of those data, and focus exclusively on goods, then we have assumed exports fall 1.4%, driven by a slump in meat, and imports rise 1.0%. We'll be looking for confirmation of such when the data are released.

Thursday sees Q3 value of building work put in place revealed. This is another feed into our GDP projections. The building sector has been struggling of late so we are anticipating a decline of around 2.5% for activity in the quarter.

Weakness in the building sector was highlighted this morning with the release of October new dwelling units which proved to be softer than we were anticipating. Consents for stand alone houses were up 8.6% on year earlier levels but consents for other types of housing slumped 17.6% over the same period.

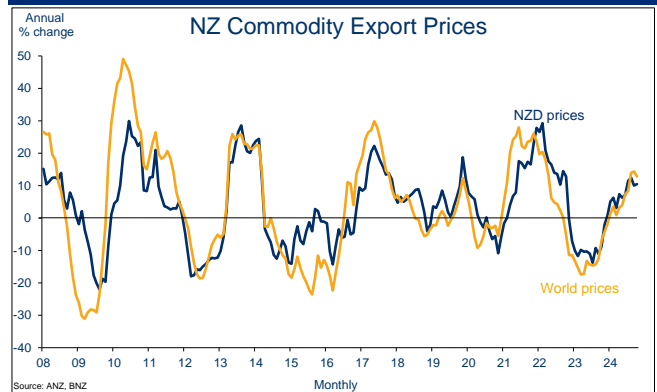
Dwelling consents weak



Also on Thursday we should get Core Logic's latest housing data. One can only assume more of the same: heightened sales, accompanied by even greater listings resulting in price stagnation.

Wrapping things up we get the latest instalment of the ANZ Commodity Price Index on Wednesday. With dairy prices accelerating, we expect a decent increase in both the world and New Zealand index. Annual growth in both should be in a 13.0% to 15.0% range. The GDT dairy auction, in the early hours of Wednesday morning, will provide the very latest on dairy prices.

Commodities to the rescue?



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Global Watch

- **Australia GDP, trade data due for Q3**
- **US employment report, will guide whether Fed cuts rates**
- **Fed's Powell, Waller and Williams speak**
- **ISM manufacturing and services indicators**

Week in Review

In Australia, most focus was on the Monthly CPI Indicator for October which at 2.1% y/y was what NAB expected. Importantly, the headline result is being impacted by government subsidies. The underlying trimmed mean measure was 3.5% y/y and services is hotter at 4.8% y/y.

RBA Governor Bullock spoke Thursday and reinforced that the RBA is in no rush to cut rates: overall *"underlying inflation is still too high to be considering lowering the cash rate target in the near term"* and it will take *"a little longer for inflation to settle at target in Australia"* given *"the tightness in Australia's labour market, along with our assessment that the level of demand still exceeds supply in the broader economy"*.

NAB continues to see the RBA moving in May 2025, with risks being this may not occur until deeper in 2025.

In the US, it was mostly quiet with the Thanksgiving Holiday. Politics continues to dominate. Trump nominated Bessent as Treasury Secretary which saw yields fall – being seen as more pragmatic and wanting to reduce the deficit. Trump nominated Greer as the US Trade Rep who is seen as a China-hawk, and also announced tariffs on China, Mexico and Canada as a bargaining chip to tackle drugs and people movements across borders. US PCE inflation numbers were broadly as expected.

In Europe, French budget concerns rose with French yields briefly trading above Greek yields. Eurozone inflation increased 2.3% from a year ago which was in line with consensus expectations.

Week Ahead

Offshore, most focus will be on the US data flow with Payrolls (Friday) and key Fed speakers which include Chair Powell (Wednesday), Williams and Waller (both Monday).

US dataflow peaks with Payrolls (Friday) where consensus is for 200k jobs and for unemployment unchanged at 4.1%. If that eventuates, unemployment is set to track below the FOMC's Q4 dot of 4.4%. And continues to question the need for rate cuts.

Before then is a plethora of data where the risks are likely to the upside. The ISMs (Monday and Wednesday) could pick up a sentiment lift from the recent elections, while JOLTs (Tuesday) were weighed down last month by hurricane impacts in September, could be set to rebound.

The clear trend over the past few weeks has been US data flow outperforming European data flow, which again should be evident in the US ISMs if the prelim PMIs were any guide.

Australia sees Q3 GDP (Wednesday) where NAB has pencilled in 0.3% q/q and 0.9% y/y. Although a dated read on activity, it will give an important update on growth and give the latest read on productivity. Also in the week is Retail Sales for October (Monday), along with Dwelling Approvals (also Monday) and the Trade Balance (Thursday).

In EZ it is very quiet. The most notable being Retail Sales (Thursday) and a speech by the ECB's Nagel (Wednesday), while French budget negotiations will also be important. Ditto the UK with just the BoE's Greene (Thursday) of any note.

China sees the Caixin PMIs where consensus is for a small uptick. Of perhaps more importance will be the prospect of a Politburo meeting, though this remains far from certain. Japan is relatively quiet with only Labor Cash Earnings (Friday).

Important Events Preview

Monday 2

AU Retail Sales, Inventories, Dwelling Approvals/Prices

Retail Sales are for October and will be closely watched to see to what degree consumption is lifting in reaction to recent tax cuts and cost of living relief. NAB has pencilled in a rise of 0.9% m/m (consensus 0.4%).

Ahead of Q3 GDP on Wednesday, the Business Indicators publication contains inventory data. Consensus for Inventories is for -0.2% q/q. The publication also contains information on real sales which has historically given a good guide to quarterly GDP.

There is also plenty of other data out, including Dwelling Approvals and Dwelling Prices. NAB expect a rise of 1.0% m/m in Dwelling Approvals after a strong rebound last month (consensus 1.3%). The general thematic remains of population growth far outpacing approvals.

AU RBA's Jacobs (Head of Domestic Markets)

CH Caixin Manufacturing PMI

EZ/UK final-Manufacturing PMI

US ISM Manufacturing, Fed's Williams & Waller

Consensus sees the ISM Manufacturing lifting to 47.6 from 46.5. The risk is to a greater lift due to sentiment spillovers from the recent US election, even if questions are backward looking. Regional surveys were fairly mixed.

On the Fed roster are two heavy hitters. Williams is giving a keynote with Q&A and Waller who is also giving a

keynote on the economic outlook. Fed speak will be closely monitored given markets are less certain of a rate cut in December.

Tuesday 3

AU BoP, Net Exports, Govt spending

NAB expect net exports to make a flat contribution to Q3 GDP. Also out is government spending data which will shore up Q3 GDP forecasts ahead of Wednesday. NAB expect a solid outturn for government spending of 0.2ppts contribution to GDP in the quarter. And for the combined contribution from trade and inventories of 0.1ppts.

US JOLTS

JOLTS are for October and job openings are expected to rise to 7470k from 7443k. Note job openings in September were heavily impacted by hurricane activity with a sharp fall in openings in the south region. The risk is that job openings rebound more sharply.

Wednesday 4

AU Q3 GDP

Our colleagues at NAB see a quarterly GDP print of 0.3% q/q and 0.9% y/y and assess risk to the upside (consensus 0.5% q/q). They will firm up their forecast following the partials early in the week. NAB have pencilled in a 0.2% decline for consumption with reduced out of pocket spending due to the government's electricity subsidies.

The business and dwelling investment partials released last week suggest a flat outcome from those components in the quarter.

CH Caixin Services PMI

EZ/UK Final-Services PMI, ECB's Lagarde

US Fed's Powell, ISM Services, ADP Employment, Beige Book, Durables

A big night for the US. Fed Chair Powell is speaking in moderated discussion at the NY Times DealBook Summit. The Fed also publishes its Beige Book.

The ISM Services meanwhile is expected to remain high at 55.5 (from 56.0), with risks again to the upside given the positive sentiment from the recent elections, even if questions are backward looking.

The overall story from a global perspective is of a US services sector which is clearly outperforming the rest of the world.

ADP Employment which is an imperfect guide to Payrolls on Friday is also out with consensus of 158k.

Thursday 5

AU Goods Trade Balance

The trade surplus is likely to be little changed on last month at around 4.5bn.

EZ Retail Sales

US Trade Balance, Jobless Claims

Friday 6

US Payrolls, Fed Speak, Uni Michigan Sentiment

Consensus for Payrolls is for 200k jobs and for the unemployment rate to remain unchanged at 4.1%. Average hourly earnings are expected to be 0.3% m/m and 3.9% y/y. It is looking likely the unemployment rate will well undershoot the FOMC's September dot for 2024.

The University of Michigan Consumer Sentiment is expected to rise to 73.3 from 71.8.

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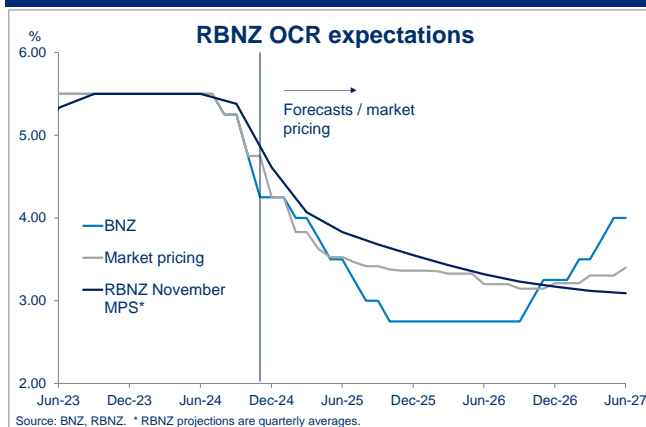
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

There was a notable curve flattening theme in NZ fixed income last week. The RBNZ Monetary Policy Statement (MPS) broadly matched expectations, while the longer end of the NZ curve, rallied alongside US and global markets. The initial catalyst for the move lower in US yields, was the nomination of Scott Bessent as Treasury secretary, which eased fears over president-elect Trump’s trade tariff plans. Month end rebalancing flows, and solid demand from investors in the three treasury note auctions, also underpinned sentiment.

The front end of the NZ swap curve was little changed while 10-year rates dropped 17bp to 4.06%. The RBNZ matched economists’ forecasts with a 50bp reduction in the Official Cash Rate (OCR), but the market moved higher in yield immediately following the decision, having priced a chance of a larger 75bp cut. In addition, the Bank’s modelled OCR track implied an even chance of a 25bp or a 50bp cut at the February MPS, which was less than the prevailing overnight index swap pricing for the meeting.

Frontloaded easing in RBNZ’s modelled OCR projection



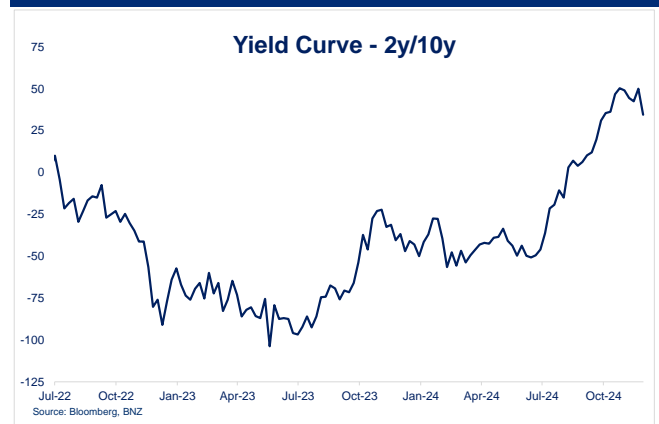
The move higher in short end rates partially retraced after Governor Orr’s comments in the press conference, which appeared to strengthen the case for a 50bp cut in February, conditional on the economy evolving in line with the Bank’s projections. In the post-MPS round of engagement, RBNZ policymakers provided a clear signal that a 50bp cut is the base case. The market is pricing ~43bp for the meeting. We think there is room for terminal OCR pricing to move lower and that 2-year swap rates are likely to make fresh lows for the cycle.

There is an extended period until the next MPS with several key domestic and international economic releases. The most impactful will be NZ CPI and labour market data for the December quarter as well as the Quarterly Survey of Business Opinion. Monthly inflation partials, inflation

expectations and higher frequency activity indicators like the monthly PMIs, will also be of interest.

In addition, there could be more clarity for US economic policy after Trump’s inauguration on January 20, which may impact the RBNZ’s policy outlook. The November FOMC minutes revealed that Federal Reserve policymakers didn’t discuss the economic implications of the election. The Committee will monitor the incoming economic data, and is open to changing course, if the balance of risks shift unexpectedly.

Counter-trend NZ yield curve flattening



The 2y/10y NZD swap curve has retraced almost 20bp from the 55bp peak in late October. The NZ curve had flagged as being too steep, relative to the outright level of yields, and compared with the Australian and US curves. Although the NZ curve could flatten further if the global rates rally extends further, we think the medium-term trend will be steeper, as the RBNZ easing cycle continues in 2025.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	4.36	4.32 - 4.52
NZ 2yr swap (%)	3.71	3.60 - 3.97
NZ 5yr swap (%)	3.74	3.72 - 4.04
NZ 10yr swap (%)	4.06	4.05 - 4.36
2s10s swap curve (bps)	36	36 - 50
NZ 10yr swap-govt (bps)	-32	-37 - -30
NZ 10yr govt (%)	4.38	4.40 - 4.67
US 10yr govt (%)	4.17	4.17 - 4.50
NZ-US 10yr (bps)	21	8 - 31
NZ-AU 2yr swap (bps)	-28	-44 - -19
NZ-AU 10yr govt (bps)	4	-10 - 6

*Indicative range over last 4 weeks

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Foreign Exchange Market

Reuters pg BNZFWDS Bloomberg pg BNZ9

Last week the USD was broadly weaker, with the DXY index breaking a run of eight consecutive weekly advances to fall 1.7%. NZD/USD rose 1½% to 0.5920, outperforming other commodity currencies following the RBNZ’s 50bps rate cut and policy outlook which wasn’t dovish enough compared to market pricing. NZD/AUD rose 1.3% to 0.9090 and NZD/CAD rose 1.7% to 0.8290. JPY was the strongest of the majors, supported by a rising chance of the BoJ hiking its policy rate in December. NZD/JPY fell 1.8% to 88.7. The NZD was flat against EUR and GBP.

The RBNZ delivered another 50bps rate cut, taking the OCR down to 4.25%. Governor Orr suggested that the baseline projection was for another 50bps in February, while the rate track beyond that factored in not much more than an additional 25bps cut by the end of 2025. Compared to market pricing, this didn’t meet dovish expectations. NZ-global rate differentials pushed higher and the NZD was supported after the Statement.

Turning to global forces, the week began on a positive note for the NZD as the market reacted to Trump nominating Scott Bessent as his Treasury Secretary. Bessent has worked in financial markets and has strong understanding of how markets work. He is a known fiscal hawk, keen to bring down the deficit to 3% of GDP and he is lukewarm on imposing import tariffs. While the USD was due for a pullback after a very strong run, his nomination encouraged a weaker USD.

A taste of Trump 2.0 and a sense of déjà vu overcame markets when Trump said that he will levy tariffs of 25% on all imports from Canada and Mexico, and an extra 10% tariff on Chinese goods from day one, in a post on his social media site. These tariffs were linked to the flow of drugs and migrants over the border and gave the countries some leeway to avoiding the tariffs if the countries acted in Trump’s interests. The post induced some volatility in currency markets before being washed out. It was a taste of how currency markets are likely to have volatile episodes at random times, given Trump’s penchant to using social media to direct policy.

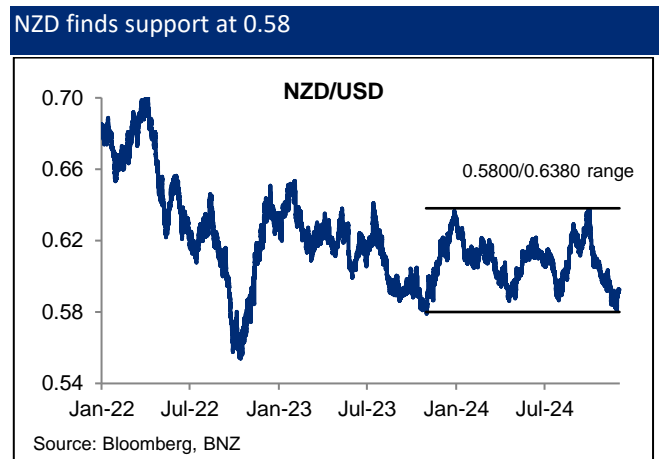
The modest recovery in the NZD followed a steep decline of 9% from the end of September through to the trough just under 0.58. The recovery fits with our view that the NZD can consolidate into year-end. Seasonally, December is the strongest month for the NZD and this was a factor we noted when we suggested a year-end target of 0.5950 in our early November forecast revision. Technicals suggest some near-term resistance around 0.6040, with support at 0.5800.

A renewed downturn in the NZD can occur next year when we will have more information on Trump’s policies,

including on tariffs. We see the market under-pricing the risk of punishing tariffs against China, and their implementation is expected to lead to a weaker yuan and NZD sometime in the first half of 2025.

In the week ahead the US economic calendar has a number of top-tier economic releases, including the ISM manufacturing and services indicators, JOLTs report and culminating in the employment report at the end of the week. This report will influence whether the Fed cuts rates at its December meeting or opts for a pause. As such, the data and policy decision could have a notable impact on how the USD fares at the end of the week and through the rest of the month. Fed speakers will be out in force again this week, including heavy-hitters Powell, Waller and Williams, but coming before the employment report.

The NZ economic calendar is light, while Australian GDP is the only other notable release.



Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.5916	0.5800 - 0.5980
NZD/AUD	0.9077	0.8940 - 0.9100
NZD/GBP	0.4643	0.4610 - 0.4680
NZD/EUR	0.5593	0.5530 - 0.5640
NZD/JPY	88.56	88.50 - 92.00

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models		
	Model Est.	Actual/FV
NZD/USD	0.6950	-15%
NZD/AUD	0.8650	5%

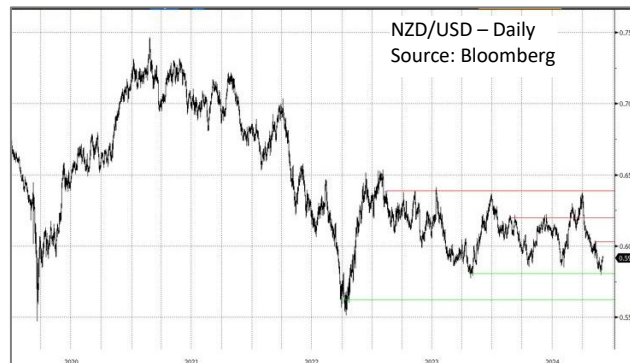
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Technicals

NZD/USD

Outlook: Downside risk
 ST Resistance: 0.6040 (ahead of 0.62)
 ST Support: 0.5800 (ahead of 0.5625)

We put near-term support at 0.5800, or a little under (could extend to 0.5775), and resistance at 0.6040.



NZD/AUD

Outlook: Downside risk
 ST Resistance: 0.91 (ahead of 0.9315)
 ST Support: 0.89 (ahead of 0.87)

A sharp recovery last week reduces the immediate threat of breaking below support at 0.89. Some minor resistance at 0.91, ahead of 0.92.

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NZ 5-year Swap Rate

Outlook: Lower
 ST Resistance: 4.06
 ST Support: 3.48

5-year swap continued to rally last week, we favour this downward momentum and will hold our received position.

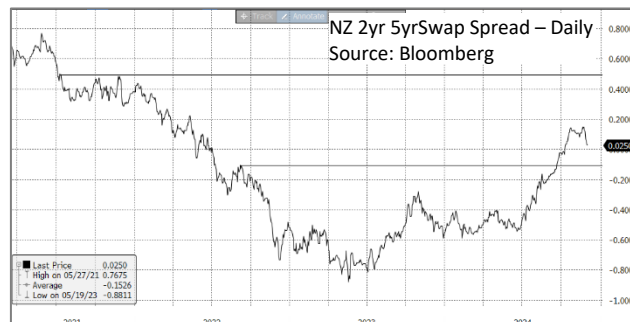


NZ 2-year - 5-year Swap Spread (yield curve)

Outlook: Steeper
 ST Resistance: 0.28
 ST Support: -0.10

2x5 year swap spread flattened aggressively last week as the RBNZ disappointed the short end of the yield curve. We will watch this spread closely given the reversal in momentum but anticipate that some support may come in at flat.

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Quarterly Forecasts

Forecasts as at 2 December 2024

Key Economic Forecasts

Quarterly % change unless otherwise specified

Forecasts

	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
GDP (production s.a.)	0.0	0.1	-0.2	-0.4	0.2	0.5	0.8	0.8	0.8	0.8
Retail trade (real s.a.)	-1.8	0.5	-1.2	-0.1	0.5	0.8	1.0	1.2	1.1	0.9
Current account (ytd, % GDP)	-7.1	-6.7	-6.7	-6.7	-6.6	-6.2	-5.8	-5.5	-5.1	-4.8
CPI (q/q)	0.5	0.6	0.4	0.6	0.6	0.6	0.2	0.6	0.1	0.6
Employment	0.3	-0.4	0.2	-0.5	-0.2	0.2	0.5	0.6	0.7	0.7
Unemployment rate %	4.0	4.4	4.6	4.8	5.2	5.3	5.5	5.4	5.3	5.3
Avg hourly earnings (ann %)	6.6	4.8	4.0	3.2	3.4	3.9	3.6	3.0	2.9	3.0
Trading partner GDP (ann %)	3.3	3.2	3.0	2.9	2.9	2.9	3.0	3.0	3.0	3.0
CPI (y/y)	4.7	4.0	3.3	2.2	2.3	2.3	2.1	2.1	1.6	1.6
GDP (production s.a., y/y)	0.0	0.5	-0.5	-0.5	-0.3	0.1	1.2	2.4	3.0	3.2

Interest Rates

Historical data - qtr average

Forecast data - end quarter

	Cash	Government Stock			Swaps			US Rates		Spread NZ-US Ten year
		90 Day Bank Bills	5 Year	10 Year	2 Year	5 Year	10 Year	Libor 3 month	US 10 yr	
2023 Mar	4.58	4.99	4.27	4.26	5.11	4.51	4.40	4.90	3.65	0.61
Jun	5.42	5.62	4.23	4.27	5.19	4.44	4.30	5.40	3.60	0.68
Sep	5.50	5.66	4.87	4.87	5.54	4.90	4.75	5.65	4.15	0.73
Dec	5.50	5.64	4.90	5.07	5.28	4.85	4.90	5.65	4.45	0.64
2024 Mar	5.50	5.66	4.44	4.68	4.92	4.40	4.45	5.60	4.15	0.53
Jun	5.50	5.63	4.56	4.74	5.01	4.53	4.60	5.60	4.45	0.30
Sep	5.33	5.24	3.96	4.33	4.01	3.79	4.05	5.25	3.95	0.37
Forecasts										
Dec	4.25	4.25	3.95	4.50	3.50	3.75	4.15	4.50	4.30	0.20
2025 Mar	4.00	3.75	3.70	4.50	3.20	3.55	4.15	4.25	4.30	0.20
Jun	3.50	3.25	3.45	4.45	2.95	3.35	4.15	4.00	4.25	0.20
Sep	3.00	2.90	3.45	4.45	3.00	3.40	4.20	3.75	4.25	0.20
Dec	2.75	2.90	3.55	4.30	3.15	3.50	4.10	3.50	4.00	0.30
2026 Mar	2.75	2.90	3.65	4.30	3.40	3.65	4.15	3.50	4.00	0.30

Exchange Rates (End Period)

USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.59	0.65	1.06	1.27	150
Dec-24	0.60	0.66	1.05	1.27	153
Mar-25	0.58	0.65	1.04	1.27	155
Jun-25	0.57	0.64	1.05	1.27	155
Sep-25	0.59	0.66	1.06	1.28	153
Dec-25	0.60	0.67	1.07	1.28	150
Mar-26	0.62	0.69	1.08	1.29	144
Jun-26	0.64	0.71	1.11	1.32	140
Sep-26	0.65	0.72	1.13	1.34	135

NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.59	0.91	0.56	0.46	88.5	69.6
Dec-24	0.60	0.90	0.57	0.47	91.0	70.0
Mar-25	0.58	0.89	0.56	0.46	89.9	69.0
Jun-25	0.57	0.89	0.55	0.45	88.4	68.8
Sep-25	0.59	0.89	0.55	0.46	89.5	69.6
Dec-25	0.60	0.89	0.56	0.47	89.3	70.1
Mar-26	0.62	0.89	0.57	0.48	88.6	71.5
Jun-26	0.64	0.89	0.57	0.48	88.9	72.7
Sep-26	0.65	0.90	0.58	0.49	87.8	73.6

TWI Weights

14.5% 17.7% 9.5% 3.4% 5.6%

Source for all tables: Statistics NZ, Bloomberg, Reuters, RBNZ, BNZ

Annual Forecasts

Forecasts as at 2 December 2024	March Years					December Years				
	Actuals					Actuals				
	2022	2023	2024	2025	2026	2021	2022	2023	2024	2025
GDP - annual average % change										
Private Consumption	6.0	2.7	0.6	0.9	2.1	7.4	3.4	0.4	0.7	1.7
Government Consumption	7.9	2.1	-0.3	-1.0	-0.8	7.8	5.0	-1.4	-0.3	-1.4
Total Investment	10.2	2.1	-2.0	-2.3	2.5	12.0	3.4	-1.2	-3.0	0.9
Stocks - ppts cont'n to growth	0.5	0.0	-1.4	0.7	0.6	1.4	-0.3	-1.3	0.3	0.8
GNE	7.9	2.5	-1.7	0.3	2.2	10.0	3.5	-1.8	0.0	1.6
Exports	2.5	5.6	8.6	1.7	5.3	-2.7	-0.8	11.4	3.6	4.3
Imports	17.2	4.4	-1.3	2.4	4.3	14.8	4.7	-0.6	2.3	3.7
Real Expenditure GDP	4.7	2.6	0.7	0.1	2.3	5.9	2.2	0.9	0.4	1.5
GDP (production)	4.6	2.7	0.3	-0.3	2.4	5.6	2.4	0.7	-0.2	1.7
<i>GDP - annual % change (q/q)</i>	<i>0.6</i>	<i>2.0</i>	<i>0.5</i>	<i>0.1</i>	<i>3.2</i>	<i>2.6</i>	<i>2.2</i>	<i>0.0</i>	<i>-0.3</i>	<i>3.0</i>
Output Gap (ann avg, % dev)	1.4	2.0	0.1	-1.3	-0.8	1.6	2.1	0.5	-1.0	-1.1
Nominal Expenditure GDP - \$bn	358	388	410	422	443	353	381	405	419	437
Prices and Employment - annual % change										
CPI	6.9	6.7	4.0	2.3	1.6	5.9	7.2	4.7	2.3	1.6
Employment	2.5	3.1	1.1	-0.3	2.5	3.3	1.7	2.8	-0.9	2.0
Unemployment Rate %	3.2	3.4	4.4	5.3	5.3	3.2	3.4	4.0	5.2	5.3
Wages - ahote (private sector)	5.3	8.2	4.8	3.9	3.0	4.1	8.1	6.6	3.4	2.9
Productivity (ann av %)	1.7	0.5	-2.2	0.3	1.0	3.6	0.2	-2.4	0.0	1.1
Unit Labour Costs (ann av %)	4.6	6.5	8.3	3.5	1.9	2.4	6.5	8.9	4.5	1.9
House Prices (stratified, qtr)	9.1	-12.8	2.8	-0.6	7.0	22.5	-13.8	0.6	-1.0	6.5
External Balance										
Current Account - \$bn	-24.5	-33.8	-27.6	-26.1	-21.4	-21.3	-35.6	-28.6	-27.4	-22.4
Current Account - % of GDP	-6.8	-8.7	-6.7	-6.2	-4.8	-6.0	-9.3	-7.1	-6.6	-5.1
Government Accounts - June Yr, % of GDP										
OBEGAL (core operating balance)	-2.7	-2.4	-3.1	-3.1	-1.9					
Net Core Crown Debt (ex NZS)	35.5	39.3	42.5	43.5	43.0					
Bond Programme - \$bn (Treasury forecasts)	20.0	28.0	38.0	38.0	36.0					
Bond Programme - % of GDP	5.6	7.2	9.3	9.0	8.1					
Financial Variables ⁽¹⁾										
NZD/USD	0.69	0.62	0.61	0.58	0.62	0.68	0.63	0.62	0.60	0.60
USD/JPY	119	134	150	155	144	114	135	144	153	150
EUR/USD	1.10	1.07	1.09	1.04	1.08	1.13	1.06	1.09	1.05	1.07
NZD/AUD	0.93	0.93	0.93	0.89	0.89	0.95	0.94	0.93	0.90	0.89
NZD/GBP	0.52	0.51	0.48	0.46	0.48	0.51	0.52	0.49	0.47	0.47
NZD/EUR	0.62	0.58	0.56	0.56	0.57	0.60	0.60	0.57	0.57	0.56
NZD/YEN	81.5	83.0	91.1	89.9	88.6	77.4	85.6	89.5	91.0	89.3
TWI	73.9	71.0	71.2	69.0	71.5	73.0	72.9	72.0	70.0	70.1
Overnight Cash Rate (end qtr)	1.00	4.75	5.50	4.00	2.75	0.75	4.25	5.50	4.25	2.75
90-day Bank Bill Rate	1.45	5.16	5.64	3.75	2.90	0.92	4.55	5.63	4.25	2.90
5-year Govt Bond	2.90	4.40	4.60	3.70	3.65	2.20	4.30	4.50	3.95	3.55
10-year Govt Bond	3.20	4.35	4.60	4.50	4.30	2.35	4.25	4.65	4.50	4.30
2-year Swap	3.00	5.15	4.91	3.20	3.40	2.22	5.21	4.93	3.50	3.15
5-year Swap	3.20	4.50	4.40	3.55	3.65	2.56	4.62	4.43	3.75	3.50
US 10-year Bonds	2.10	3.65	4.20	4.30	4.00	1.45	3.60	4.00	4.30	4.00
NZ-US 10-year Spread	1.10	0.70	0.40	0.20	0.30	0.90	0.65	0.65	0.20	0.30

⁽¹⁾ Average for the last month in the quarter

Source: Statistics NZ, BNZ, NZ Treasury

Key Upcoming Events

All times and dates NZT

	Median	Fcast	Last		Median	Fcast	Last
Monday 02 December				UK S&P Global UK Services PMI Nov F	50		50
AU Inventories SA QoQ 3Q	-0.20%	-0.10%	0.10%	Thursday 05 December			
AU Building Approvals MoM Oct	1.30%	1.00%	4.40%	NZ CoreLogic Home Value MoM Nov			-0.50%
AU Retail Sales MoM Oct	0.40%	0.90%	0.10%	US ADP Employment Change Nov	158k		233k
CH Caixin China PMI Mfg Nov	50.6		50.3	EC ECB's Lagarde and Nagel Speak			
AU RBA's Jacobs-Speech				US Fed's Powell and Musalem Speak			
EC HCOB EZ Manufacturing PMI Nov F	45.2		45.2	US S&P Global US Services PMI Nov F	57		57
UK S&P Global UK Manufacturing PMI Nov F	48.6		48.6	US Factory Orders Oct	0.40%		-0.50%
EC Unemployment Rate Oct	6.30%		6.30%	US ISM Services Index Nov	55.5		56.0
Tuesday 03 December				US Durable Goods Orders Oct F			0.20%
US S&P Global US Manufacturing PMI Nov F	49		48.8	US Federal Reserve Releases Beige Book			
US Construction Spending MoM Oct	0.20%		0.10%	NZ Government 4-Month Financial Statements			
US ISM Manufacturing Nov	47.6		46.5	NZ Volume of All Buildings SA QoQ 3Q	-0.50%	-2.50%	-0.20%
NZ Finance Minister Speaks at Select Committee				AU Household Spending YoY Oct	2.20%	5.00%	1.30%
US Fed's Waller and Williams Speak				AU Trade Balance Oct	A\$4500m	A\$4500m	A\$4609m
NZ Terms of Trade Index QoQ 3Q	1.30%	1.50%	2.00%	JN BOJ's Nakamura Speaks			
AU Net Exports of GDP 3Q	0.2	0	0.2	EC Retail Sales MoM Oct	-0.40%		0.50%
AU BoP Current Account Balance 3Q	-A\$10.9b		-A\$10.7b	Friday 06 December			
EC ECB's Cipollone and Panetta Speak				US Trade Balance Oct	-\$74.9b		-\$84.4b
Wednesday 04 December				US Initial Jobless Claims Nov-30	215k		213k
NZ Dairy GDT auction				US Continuing Claims Nov-23	1904k		1907k
US JOLTS Job Openings Oct	7470k		7443k	UK BOE's Greene Speaks			
US Fed's Kugler and Goolsbee Speak				JN Cash Earnings - Same Sample Base YoY Oct	3.00%		2.90%
AU S&P Global Australia PMI Services Nov F			49.6	EC GDP SA QoQ 3Q F	0.40%		0.40%
NZ ANZ Commodity Price MoM Nov			1.40%	EC Employment YoY 3Q F			1.00%
AU GDP SA QoQ 3Q	0.50%	0.30%	0.20%	Saturday 07 December			
NZ RBNZ Speaks at Select Committee				US Change in Nonfarm Payrolls Nov	200k		12k
CH Caixin China PMI Services Nov	52.4		52.0	US Unemployment Rate Nov	4.10%		4.10%
EC HCOB Eurozone Services PMI Nov F	49.2		49.2	US Average Hourly Earnings MoM Nov	0.3%		0.4%
EC ECB's Cipollone Speaks				US Fed's Bowman, Goolsbee, and Others Speak			
UK BOE's Bailey Speaks				US U. of Mich. Sentiment Dec P	73.3		71.8

Historical Data

	Today	Week Ago	Month Ago	Year Ago		Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS					SWAP RATES				
Call	4.25	4.75	4.75	5.50	2 years	3.68	3.64	3.66	5.17
1mth	4.38	4.35	4.75	5.58	3 years	3.63	3.64	3.63	4.91
2mth	4.37	4.34	4.53	5.61	4 years	3.65	3.70	3.69	4.78
3mth	4.36	4.33	4.47	5.63	5 years	3.71	3.78	3.77	4.72
6mth	4.13	4.08	4.23	5.66	10 years	4.02	4.14	4.15	4.79
GOVERNMENT STOCK					FOREIGN EXCHANGE				
05/26	3.82	3.80	3.82	4.93	NZD/USD	0.5919	0.5845	0.5973	0.6165
04/29	3.92	3.98	3.96	4.79	NZD/AUD	0.9079	0.8988	0.9070	0.9311
05/31	4.16	4.25	4.22	4.88	NZD/JPY	88.63	90.13	90.85	90.75
05/34	4.38	4.48	4.47	4.98	NZD/EUR	0.5597	0.5569	0.5491	0.5689
04/37	4.62	4.72	4.72	5.12	NZD/GBP	0.4647	0.4651	0.4610	0.4880
05/41	4.82	4.91	4.89	5.19	NZD/CAD	0.8283	0.8175	0.8303	0.8346
05/51	4.94	5.04	5.00	5.14	TWI	69.8	69.2	69.6	71.9
GLOBAL CREDIT INDICES (ITRXX)									
Nth America 5Y	48	48	54	62					
Europe 5Y	56	57	59	67					

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